HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2013

Highlights

- Housing starts will end 2013 slightly lower, before resuming an upward trend.
- Home sales through the MLS® will continue to rise.
- Population growth and employment will support housing demand.
- Rental apartment vacancy rate will continue to fall.

Figure 1

Source: CMHC (Starts Survey); F = CMHC Forecast; SAAR = Seasonally Adjusted Annualized Rate

The forecasts included in this document are based on information available as of October16 2013.

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New Home Market: Total Housing Starts Rebound in 2014

New residential construction will be lower in 2013 in the Windsor Census Metropolitan Area (CMA) before resuming an upward trend in 2014. Since 2009 when single-family construction hit the most recent cyclical low point, starts have risen on average 14 per cent per year through 2013. Several factors will support the increasing demand for new homes; more households, income growth, and fewer choices in the resale market.

Single-family construction will be mainly in municipalities surrounding the City due to lower development costs. Availability of serviced lots away from the core will appeal to move-up buyers with larger families. School expansions and new construction further add to the appeal for young families with school age children.

The average price of new homes will be lower this year due to a higher share of homes sold under $200,000, particularly in the City of Windsor. Price gains will resume in 2014 as rising disposable incomes and strengthening confidence afford buyers the ability to purchase more expensive homes. On the supply side, a recovering new home market south of the border will continue to place upward cost pressure on softwood lumber. Competition for skilled labour may also impact costs as major infrastructure projects in the area progress next year. Senior executive and entrepreneurs, particularly from the prospering mold tool and die sector, will also be in the market for homes in the upper-end. Several multi-million dollar homes are currently under construction and will push up the average new home price in 2014.

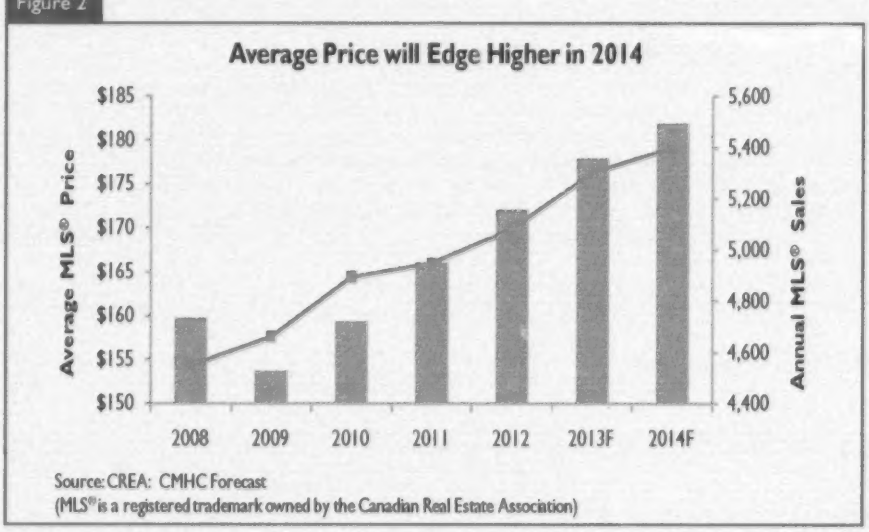
Demand for townhouses will result in more starts in 2014. Retirees, singles, and those looking for a more maintenance-free lifestyle will have several developments to choose from in Amherstburg, LaSalle, and Lakeshore. Many of these developments have a typical 1,200 square foot two bedroom ranch for under $250,000. Buyers have the benefit of community, security and a recreational lifestyle often with no maintenance fees or minimal fees (under $100 per month).

Resale Homes Market: Demand for Resale Homes Will be Higher in 2014

Existing home sales in Windsor-Essex will rise over four per cent in 2013 and moderate slightly in 2014 as population growth and employment gains support housing demand. Average resale prices continue to trend higher from the low point in the first quarter of 2009. One of the main factors propelling Windsor's housing market forward is the relatively low cost of home ownership. In 2012 the estimated monthly carrying cost for the average priced MLS® home in Windsor was $924 compared to the average two bedroom rent of $778. For both existing residents and those considering relocating, Windsor remains one of the most affordable of any major metropolitan market in Canada. First-time buyers will be less active in 2013 and 2014 than in previous years as those in a position to purchase have already made the jump. Sales of homes valued under $100,000 will shrink and the balance will be made up by move-up buyers purchasing homes in the $180,000-219,999 and $300,000 or more price ranges. With additional sales in higher price ranges, the annual average price will move up to $178,000 in 2013. Price increases will moderate in 2014 as the $160,000 - $199,999 price range is expected to be the most active.

Recent price growth should encourage more homeowners to put their house on the market in order to purchase a home that more closely matches their current needs. New listings, a measure of supply, have been declining for several years as

Figure 2



Source: CREA; CMHC Forecast
(MLS® is a registered trademark owned by the Canadian Real Estate Association)

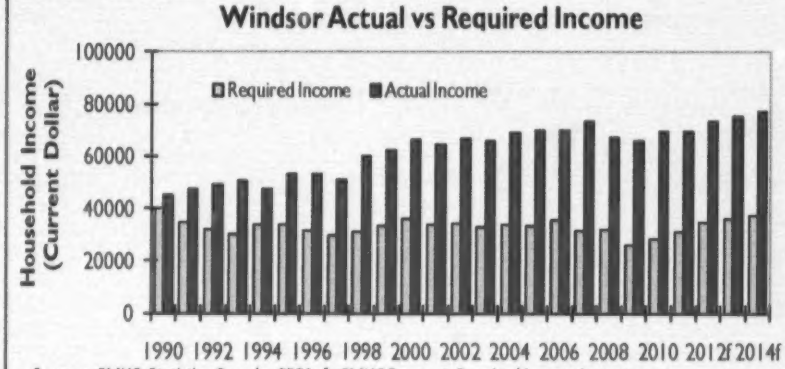
homeowners refrained from listing their property due to the lack of equity gains. Greater choice will also contribute to slower price growth next year maintaining a balanced market.

Many renter households delayed a move to homeownership this year as increases in incomes only partially offset the increase in prices needed to balance off the rising costs of home ownership in the recovering Windsor resale market. Many of those renters who were thinking of making the move to homeownership already did so. Rising opportunity costs mean that the newer (younger) renter households will stay in rental accommodation longer

Rental Market: Vacancy Rate Continues to Fall

In 2014 the private apartment rental vacancy rate in the Windsor CMA will decline to under five per cent as the supply of rental units decreases and demand rises. There has been virtually no new rental apartment completions added to the stock in Windsor this century, while the universe has declined due to factors such as demolition and changes in use. At the same time, the population in Windsor has started to expand following several years of outmigration in search of better employment opportunities. Demand for rental housing will rise next year due to stronger employment in the 15-24 yr group, increasing international immigration, and rising ownership carrying costs. Vacancy rates in the core will likely decline as the University of Windsor moves the School of Social Work downtown bringing nearly 1,000 students and staff to the former Armouries and Greyhound bus station.

Figure 3

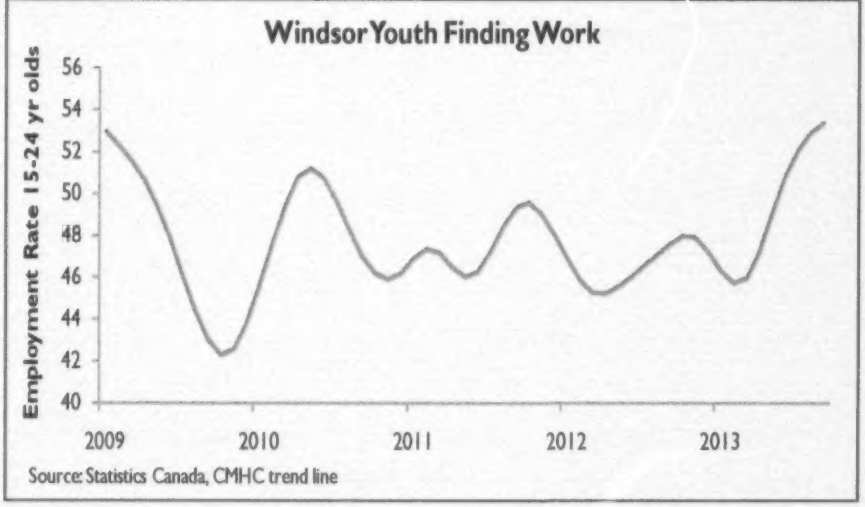


Sources: CMHC, Statistics Canada, CREA, f= CMHC Forecast. Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization

Economy: Employment Expansion Will Continue in 2014

Employment in the Windsor CMA will grow in 2013 and 2014, driven by ongoing economic recovery south of the border which will increase demand for locally-produced automotive products. Close to $2 billion of infrastructure projects including the Herb Gray Parkway, the Southwest Detention Centre and the Windsor Aquatics Centre have contributed to the improvement in local confidence as confirmed by positive regional outlook surveys and hiring intentions. Construction employment will be supported by the International Trade Crossing which is expected to start as the final phase of the Right Honourable Herb Gray Parkway concludes. The Windsor-Detroit Tunnel is also preparing for

Figure 4

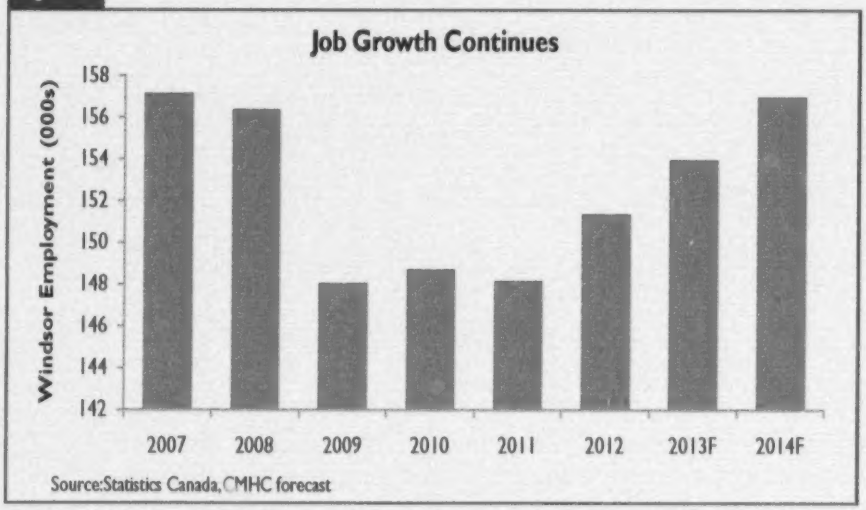


Source: Statistics Canada, CMHC trend line

construction. Job growth continues however, the number of people entering, rejoining or delaying retiring from the labour force keeps the unemployment rate elevated.

Windsor's manufacturing sector is expected to perform well in 2014 as the economic recovery in the U.S. continues. Light vehicle sales for the first three quarters of 2013 were the strongest on record and are on track to set a new annual record. (1) (DesRosiers Drives Windsor Oct 10, 2013) Canadian production of North American vehicles is forecast to increase more than two per cent in 2014 which bodes well for manufacturing employment in the Windsor area.(2)(Office of Automotive and Vehicle Research, Odette School of Business)

Figure 5



Source:Statistics Canada, CMHC forecast

Mortgage Rates to See Modest and Gradual Increases in 2014

Mortgage Rate Outlook

- Mortgage rates to see modest and gradual increases late in the forecast horizon but will remain low by historical standards.
- Following the June meeting of the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve Board, interest rates rose modestly and then remained steady in both the U.S. and Canada. According to the Federal Reserve Bank of New York, this reflected a change in the risk assessment of investors and not a change in the expected future path of interest rates[1].
- CMHC's interest rate forecast mirrors this view. Hence, mortgage rates have been slightly revised up in the third quarter of 2013 but, thereafter, follow the same interest rate path as before. Nevertheless, this interest rate outlook will continue to be supportive of housing market activity over the forecast horizon, as mortgage rates will remain low by historical standards.
- Mortgage rates are expected to increase gradually and steadily over the forecast horizon. By the end of 2014, mortgage rates are forecast to be somewhat higher than in the third quarter of 2013. According to CMHC's base case scenario for 2013, the average for the one-year posted mortgage rate is forecast to be within 3.00 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent. For 2014, the average for the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.00 per cent.

Mortgage rates		
1 Year	Q3 2013	3.14
	Change from Q3 2012	0.04
	2013 (F)	3.00 - 3.50
	2014 (F)	3.25 - 3.75
5 Year	Q3 2013	5.27
	Change from Q3 2012	0.03
	2013 (F)	5.00 - 5.50
	2014 (F)	5.25 - 6.00

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q3 2013 data

[1] "Preparing for Takeoff? Professional Forecasters and the June 2013 FOMC Meeting." Federal Reserve Bank of New York (2013). Richard Crump, Stefano Eusepi, and Emanuel Moench (http://libertystreeteconomics.newyorkfed.org/2013/09/preparing-for-takeoff-professional-forecasters-and-the-june-2013-fomc-meeting.html)

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Short term mortgage rates are expected to remain at historical low levels which will continue to support housing demand
Employment	Employment in Windsor increased by over two per cent in 2012. A recovering manufacturing sector will contribute to support demand for housing in 2013.
Population	Positive net migration will stimulate demand for rental housing in 2013
Resale Market	Resale market conditions are expected to remain balanced in 2013 and 2014. A gradual rise in listings will moderate price gains.
Infrastructure Investments	U.S. presidential permit approval for a new $1 billion bridge between Windsor and Detroit will stimulate employment in 2015.

Risks To The Forecast

- Stronger recovery demand in the U.S. may improve auto-related manufacturing exports and employment
- More people joining the labour force will up the unemployment rate.
- Should mortgage interest rates rise sooner than expected by potential buyers and mortgage holders, this could lead to a lower level of activity in Windsor's housing markets.

Forecast Summary Windsor CMA Fall 2013							
	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	460	466	536	475	-11.4	570	20.0
Multiples	157	253	181	170	-6.1	210	23.5
Semi-Detached	26	92	68	40	-41.2	40	0.0
Row/Townhouse	89	153	107	120	12.1	160	33.3
Apartments	42	8	6	10	66.7	10	0.0
Starts - Total	617	719	717	645	-10.0	780	20.9
Average Price ($):							
Single-Detached	326,173	331,494	330,396	322,000	-2.5	330,000	2.5
Median Price ($):							
Single-Detached	300,000	300,000	289,403	305,000	5.4	310,000	1.6
New Housing Price Index (% chg.)	-0.8	-3.1	2.0	0.3	-	1.4	-
Resale Market							
MLS® Sales	4,893	4,946	5,082	5,300	4.3	5,400	1.9
MLS® New Listings	10,058	9,749	9,380	9,500	1.3	9,900	4.2
MLS® Average Price ($)	159,347	166,008	172,047	178,000	3.5	182,000	2.2
Rental Market							
October Vacancy Rate (%)	10.9	8.1	7.3	5.8	-1.5	4.2	-1.6
Two-bedroom Average Rent (October) ($)	752	753	778	790	-	805	-
One-bedroom Average Rent (October) ($)	627	625	647		n/a		n/a
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.50	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	148,700	148,200	151,400	154,000	1.7	157,000	1.9
Employment Growth (%)	0.4	-0.3	2.2	1.7	-	1.9	-
Unemployment rate (%)	11.5	9.6	9.8	9.4	-	9.1	-
Net Migration	-311	86	108	400	-	600	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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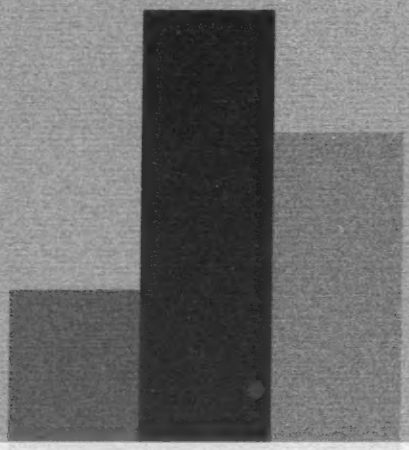

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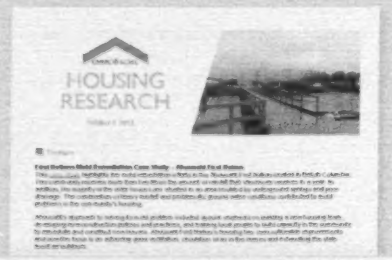

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